

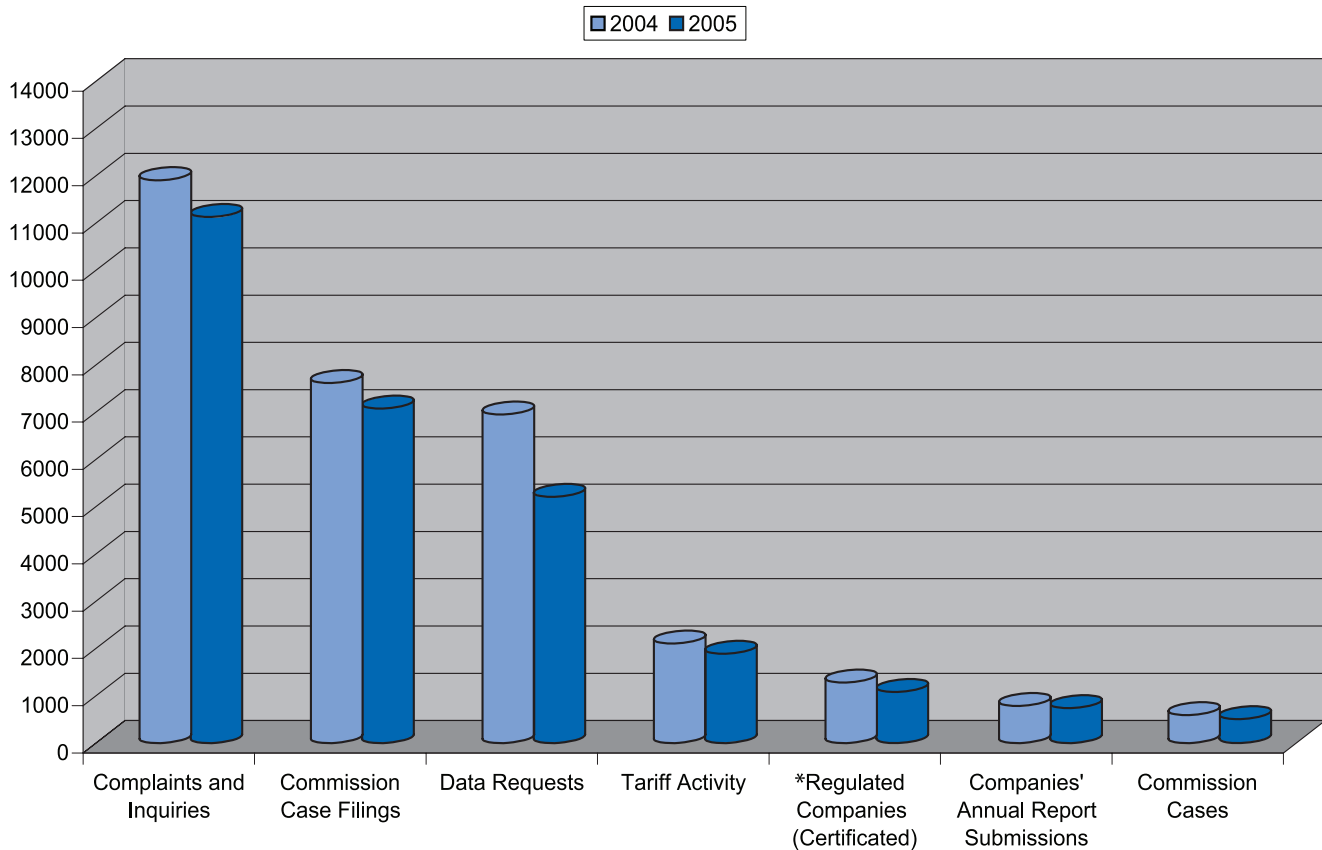
Utility Issues

Missouri PSC Authorized Number of Employees vs. Workload (2004-2005)

Figures Quoted for Fiscal Year

FY2004 Staffing = 217 FTE

FY2005 Staffing = 217 FTE



*Not all certificated companies are required to file annual reports.

NATURAL GAS

PSC Concerned Over High Wholesale Natural Gas Prices

Throughout the summer of 2005, natural gas market prices were at their highest levels ever for this time of the year. This is of great concern to the Missouri Public Service Commission as consumers try to heat their homes this winter.

With hot summer temperatures in 2005, more natural gas was being used than ever before to generate electricity to meet air conditioning demand, not only in Missouri, but across the country. This helped drive market natural gas prices from around \$7 an Mcf in early July to over \$10 an Mcf in September.

It is anticipated that natural gas prices will remain high and could get higher in the coming months, further impacting customer bills. Approximately 65% to 80% of a customer's total natural gas bill reflects the actual costs of natural gas from wholesale suppliers, who are not regulated by the Public Service Commission.

The Commission issued news releases during the summer urging consumers to take steps to reduce their use of natural gas in order to save on their gas bills this winter. Consumers were urged to consider implementing energy saving tips and programs prior to the heating season.

Cold Weather Rule Changes Approved

A winter disconnect moratorium for registered low-income elderly or disabled customers who make a minimum payment; a change in the temperature moratorium from 30 to 32 degrees for all customers; and more favorable terms for reconnection of customers who have been disconnected for breaking a Cold Weather Rule payment agreement were among several changes to the Public Service Commission's Cold Weather Rule during the 2005 fiscal year. Those changes, approved in August, took effect on November 1, 2004.

In addition, the Commission completed a rulemaking that provides for greater utility information gathering and reporting. Additional rule changes allow the Commission to better monitor and assess the effectiveness of the Cold Weather Rule.

The Cold Weather Rule applies to all investor-owned natural gas and electric utilities in Missouri and is designed to help customers with heat-related service during the winter months. It has been a part of the Commission's rules and regulations since 1977.

NATURAL GAS RATE CASES IN FISCAL YEAR 2005

Missouri Gas Energy

On November 4, 2003, Missouri Gas Energy (MGE) filed revised rate schedules designed to increase MGE's annual revenues by approximately \$44.9 million. MGE stated the proposed increase was needed to cover increased costs relating to operating and maintenance expenses as well as costs associated with the additional investment in gas distribution facilities since MGE's last rate case. MGE also stated that the proposed rate structure would help stabilize customer's bills by reducing the impact of weather-related fluctuations during the winter and reducing the difference between summer and winter bills.

After hearings held in late June and early July, the Commission issued an order on September 21, 2004 approving a \$22.4 million increase in annual revenues for MGE. MGE serves approximately 500,000 gas customers in Missouri.

Laclede Gas Company

On February 18, 2005, Laclede Gas Company filed a natural gas rate request with the Public Service Commission seeking to increase annual natural gas revenues by approximately \$34 million. Laclede stated the increase was necessary to reflect increased costs the company incurred to operate and maintain its 15,000-mile distribution and storage system. The proposed increase for residential customers would be approximately \$4.00 a month.

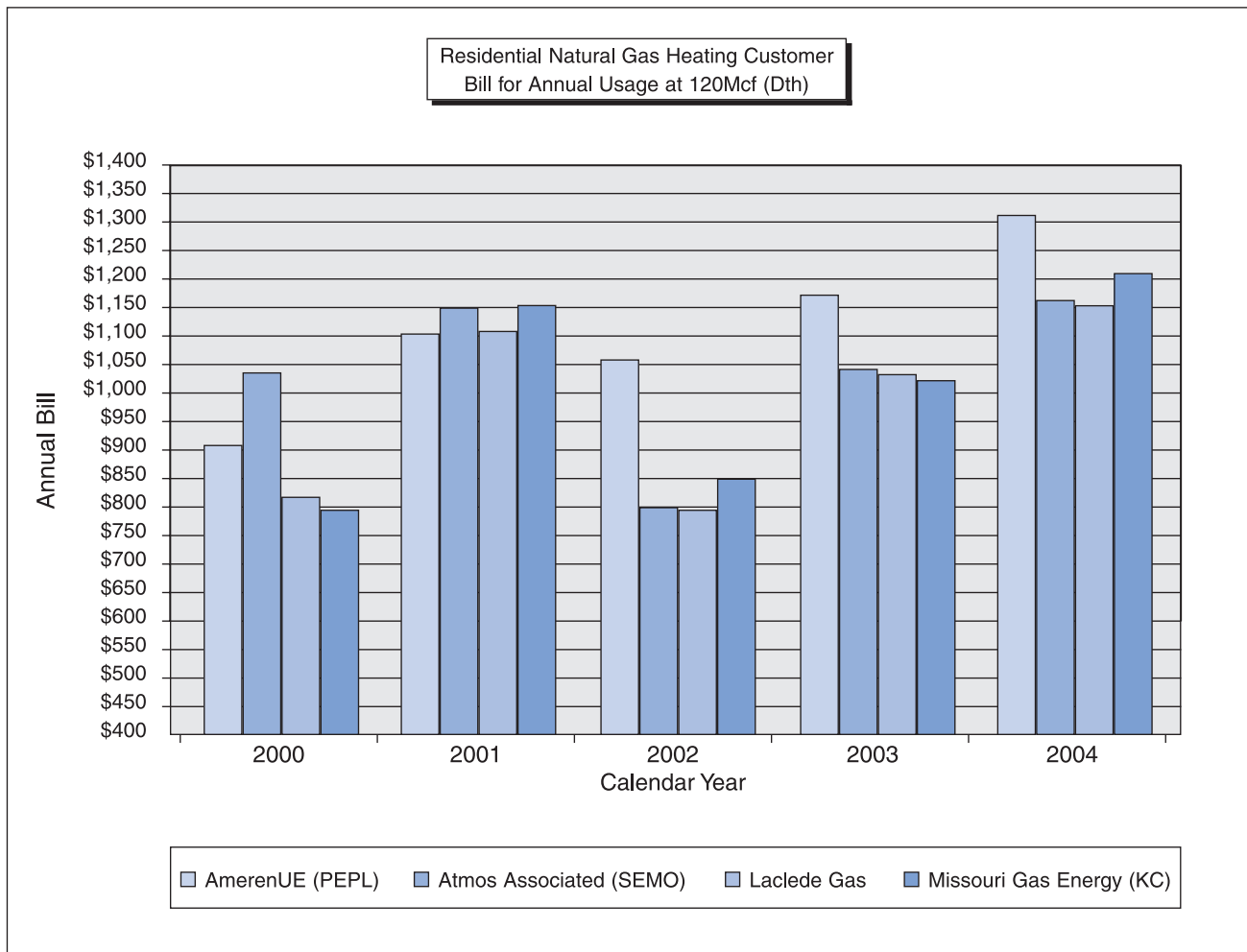
On September 30, 2005, the Commission approved an agreement which reduced Laclede's rate request by approximately 75%. Under the agreement, Laclede's annual natural gas revenues increased by approximately \$8.5 million. For a residential customer using 961 therms of natural gas a year, the increase would be approximately \$1.05 a month.

Infrastructure System Replacement Surcharges

The PSC implemented a rule on May 30, 2004 establishing the definitions, parameters and procedures relevant to the filing and processing of petitions pertaining to an infrastructure system replacement surcharge (ISRS), including the information that a local distribution company (LDC) must provide when it files a petition to establish, change or reconcile an ISRS.

This rule was necessitated by the enactment of House Bill 208 by the 92nd General Assembly. The Governor signed the legislation on July 16, 2003, making it effective August 28, 2003. The Commission must fulfill its statutory duties within the 120-day timeframe set out in the law. Implementation of this rule helps the Commission in administering the enacted statute.

LDCs may file for an ISRS which would allow them to establish a surcharge to provide for the recovery of costs for eligible infrastructure replacements; provided that the ISRS, on an annualized basis, must produce ISRS revenues of at least the lesser of one half of one percent of the LDC's base revenue level approved by the Commission in the LDC's most recent general rate case proceeding or \$1 million, but not in excess of 10% of the LDC's base revenue level approved by the Commission in its last general rate proceeding.



MGE implemented one ISRS filing during the reporting year. MGE's ISRS was implemented on May 13, 2005. The Commission approved MGE's ISRS after reviewing the Staff's recommendation and other documents filed in the case including a Stipulation and Agreement between the parties.

Laclede Gas Company implemented two ISRSs during the reporting year. The first Laclede ISRS was implemented on January 4, 2005, while the second ISRS for the year was implemented on June 16, 2005. The Commission approved these ISRS filings after reviewing the Staff's recommendation and other documents filed in each case including the Stipulation and Agreements between the parties.

Mergers

In September 2004, the PSC approved an agreement reached by Atmos Energy Corporation, the PSC Staff and the Office of the Public Counsel which

authorizes Atmos to acquire TXU Gas Company. TXU Gas Company is a wholly-owned subsidiary of TXU Corp. and is engaged in the transmission and distribution of natural gas at retail to approximately 1.5 million customers in Texas.

In December 2004, the Commission approved an agreement which granted a certificate of public convenience and necessity to Missouri Gas Utility, Incorporated to provide natural gas service as a regulated entity in the areas of Hamilton and Gallatin, Missouri.

Hamilton and Gallatin formerly operated the natural gas systems under lease-purchase agreements. However, the cities defaulted on those agreements and as a result, there were no gas supply contracts in place for the winter season. Missouri Gas Utility, Inc. provides natural gas service to approximately 750 natural gas customers in the Missouri counties of Daviess and Caldwell.

The Commission, in April, approved an agreement which allowed DTE Enterprises and DTE Ozark to sell its partnership interests in Southern Missouri Gas Company, L.P. to Sendero SMGC GP Acquisition Company and Sendero SMGC LP Acquisition Company. The agreement included a three-year rate moratorium. Southern Missouri Gas Company provides natural gas service to approximately 7,500 natural gas customers in the Missouri counties of Wright, Texas, Webster and Douglas.

NATURAL GAS SAFETY

Underground Utility Damage Prevention Statutes

The PSC worked with the Missouri One-Call System (MOCS), underground utility operators, and representatives of excavation contractors to pass House Substitute for House Committee Substitute for House Bill No. 425 during the 91st General Assembly. This legislation, which was signed by Governor Holden and became law on August 28, 2001, establishes a true one-call system in Missouri.

All owners of underground facilities in Missouri are now required to become members of MOCS and with “one call”, a person planning excavation work will have all the underground facility owners in the area of the proposed excavation notified and the facilities marked.

Universal participation in the MOCS will increase public safety by better protecting the state’s underground infrastructure. All owners and operators of underground facilities in first- and second-class counties were required to become members of MOCS before January 1, 2003, and in third- and fourth-class counties before January 1, 2005.

Missouri Association of Natural Gas Operators

The Missouri Association of Natural Gas Operators (MANGO) is a nonprofit organization comprised of Missouri natural gas operators (investor-owned and municipal systems). These operators work together with the PSC Gas Safety/Engineering Staff to enhance the operations and safety of natural gas systems throughout the state.

MANGO works with the PSC to review existing regulations, clarify interpretations and provide support in developing new regulations. The goal is to work

together to address operations, maintenance, and emergency response issues, as well as potential hazards (such as directional drilling, defective materials, and other issues) and to foster continuing dialogue to operate Missouri natural gas systems as safely as possible.

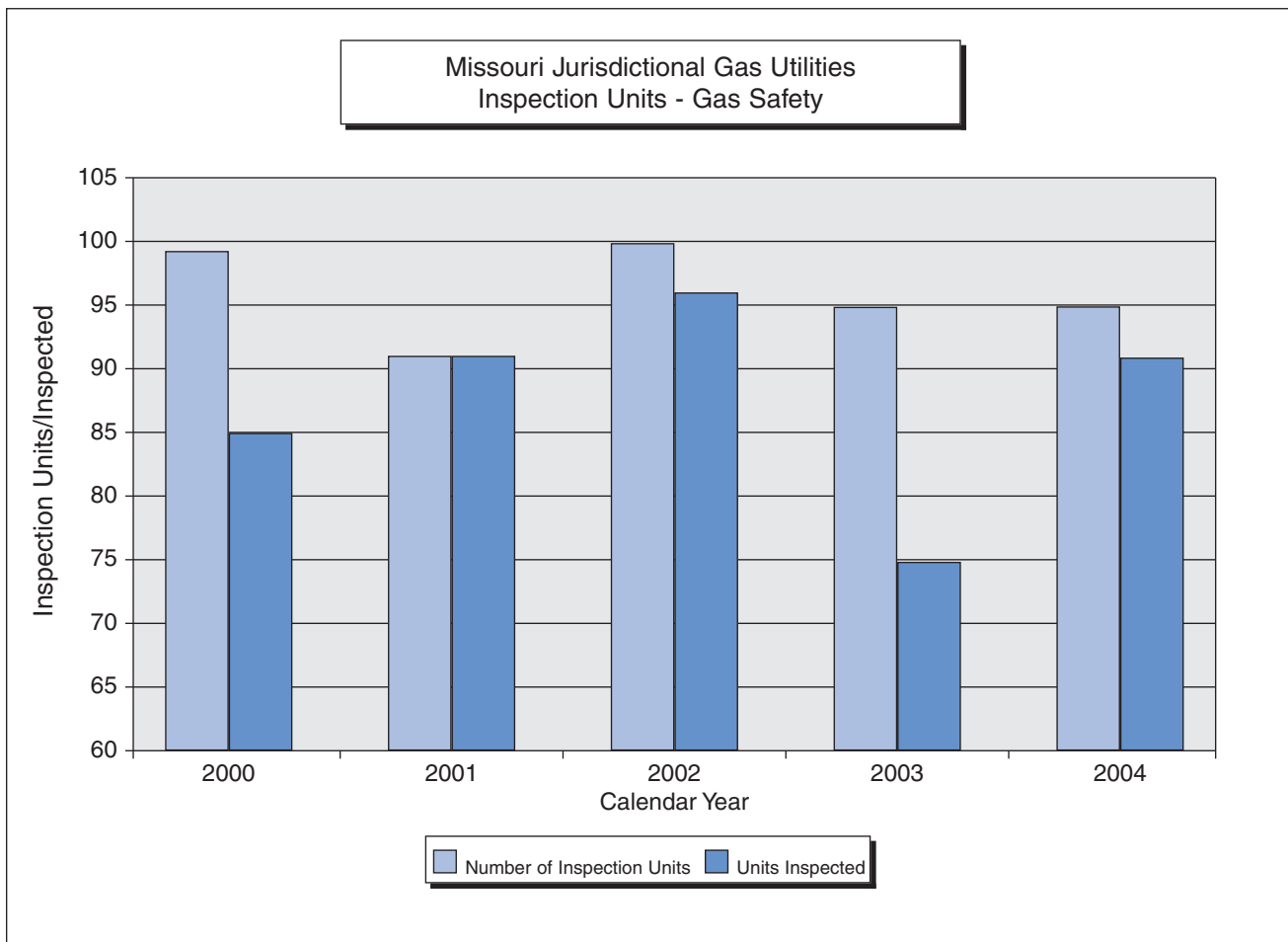
The PSC and MANGO hold quarterly meetings to stay current on issues/trends in the industry and other issues affecting the operators’ operations. In addition, the PSC and MANGO sponsor an annual pipeline safety seminar to help train and educate operators on a wide variety of pipeline and pipeline safety issues, including installation, operations, maintenance, emergency response, and products used in the industry.

FEDERAL NATURAL GAS ACTIVITIES

Decisions by the Federal Energy Regulatory Commission (FERC) directly impact Missouri ratepayers since Missouri’s natural gas utilities and some electric utilities must use FERC-regulated interstate pipelines for delivery of their natural gas supplies. The PSC believes its involvement in FERC and related judicial proceedings is necessary to ensure that Missouri natural gas consumers receive reliable service at reasonable rates. The PSC’s federal gas activities have helped Missouri consumers receive \$46 million in cost savings during fiscal year 2005 (\$17.5 million in refunds and \$28.5 million in rate reductions).

There are 10 interstate pipelines directly serving Missouri, with an additional 4-6 upstream pipelines used by Missouri utilities. The PSC actively participates in company-specific and generic proceedings, focusing on those having the greatest impact to Missouri and/or those where representation of Missouri interests is limited or absent.

The three pipelines delivering a majority of the state’s natural gas are: Southern Star Central Gas Pipeline Inc. (SSC), Centerpoint Energy-Mississippi River (MRT), and Panhandle Eastern Pipe Line Company, LP (Panhandle). SSC serves western Missouri, including the Kansas City, St. Joseph, Springfield and Joplin areas and has a small lateral terminating in St. Louis. MRT serves St. Louis and portions of southeast Missouri. Panhandle serves a number of systems across the central part of the state.



Kansas Ad Valorem Tax Refunds

Since 1989, the PSC has aggressively sought refunds of Kansas ad valorem taxes unlawfully collected from SSC and Panhandle consumers between 1983 and 1993. As a result of those efforts, Missouri ratepayers have received \$63 million in refunds — \$13 million during 1994-95, \$7.3 million during 1998-99, \$1.5 million during 2000-01, \$40.8 million during 2003-04, and \$400,000 during 2004-05. All significant FERC dockets relative to these refunds are now completed. However, the PSC continues to pursue certain unpaid refunds amounting to \$800,000, which FERC and other parties have deemed uncollectible.

Southern Star Central Gas Pipeline Inc. (SSC)

On November 27, 2002, SSC made its annual fuel use and loss reimbursement filing (RP03-135), seeking significant increases in its reimbursement percentages, particularly with respect to storage injections. In response to the PSC's protest of the filing, FERC accepted the subject tariff sheets effective January 1, 2003, subject to refund and the outcome of

a May 2004 hearing. A PSC staff member testified on behalf of the PSC. Parties were able to reach an agreement prior to the issuance of a final FERC decision. The November 4, 2004 Stipulation and Agreement provided for in-kind refunds to Missouri customers valued at \$1.2 million, implemented a methodology to reduce the volatility in fuel rates and established tariff provisions to improve storage loss testing and other procedural matters.

On May 3, 2004 SSC filed (RP04-276) with the FERC for a \$49.5 million increase in revenues, generally representing a 35-57% rate increase for its Missouri customers. SSC's motion rates went into effect November 1, 2004. However parties were able to reach a settlement whereby a reduction in those motion rates was implemented December 1, 2004. The formal settlement agreement was filed on January 21, 2005, became effective May 18, 2005, and provided to Missouri customers refunds of \$2.5 million and cost savings of \$13.6 million per year going forward. It also established a rate moratorium (precluding increases to base transportation and storage

rates) through October 2006, while requiring SSC to file for new rates to be effective November 2008.

Centerpoint Energy-Mississippi River (MRT)

As a result of a 2001 settlement in MRT's last rate case (RP01-292), Missouri customers experienced \$14.9 million in cost-savings during FY 2005. That settlement also contained a conditional rate moratorium through September 2006.

In May 2004, due to age and deterioration, MRT requested to abandon 307 miles (between Perryville, LA and Poplar Bluff, MO) of one of its three parallel mainlines. In its October 2004 order authorizing the abandonment (in CP04-334), FERC addressed some but not all PSC concerns.

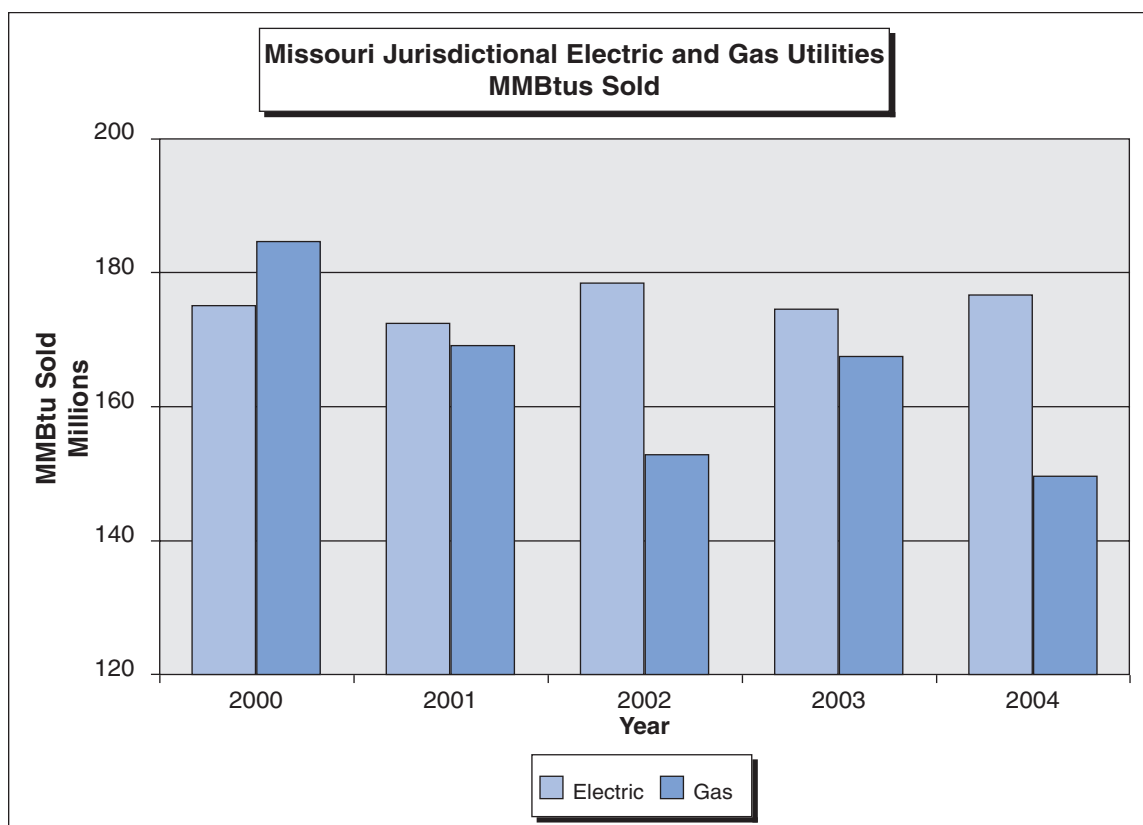
Enbridge Pipelines-KPC (KPC)

A portion of the gas supply for Kansas City is transported over KPC. FERC allowed KPC (in CP96-152) to begin charging FERC transportation rates, which were significantly higher than what the PSC believed reasonable. Although the PSC obtained a favorable U.S. Court of Appeals decision in its appeal of FERC initial rate orders during December



Natural gas lines are a key part of Missouri's energy infrastructure.

2000, the PSC believed FERC's subsequent orders on remand were erroneous. Therefore the PSC filed another appeal (Case No. 02-1132) on April 17, 2002. On August 12, 2003, the court once again remanded the matter to the FERC because it found the FERC's previous orders on remand were not reasonable. On October 8, 2004, FERC directed KPC to make additional refunds. Accordingly, in





A photo of the turbine deck and auxiliary boiler system at the Hawthorn 5 power plant operated by Kansas City Power & Light.

January 2005, Missouri customers received \$13.5 million in refunds (for the period December 2, 1997 through November 8, 2002).

Other Proceedings

The PSC filed an appeal of FERC's (US Court of Appeals DC Circuit No. 04-1099) October 31, 2002 and January 29, 2004, orders eliminating the 5-year right-of-first-refusal term cap for firm service contracts. The PSC's appeal was consolidated into AGA v. FERC (No. 04-1094). Briefs have been filed and oral argument was heard on September 13, 2005.

In November 2004 FERC rejected the Gas Technology Institute's (GTI's) application to impose a discountable surcharge on volumes transported through interstate pipelines (RP04-378).

The PSC submitted comments in several other generic FERC dockets including Policy for Selective Discounting (RM05-2) and Income Tax Allowances (PL05-5). Numerous pipeline compliance filings were also made for purposes of implementing FERC's Order No. 2004 - Standards of Conduct for Transmission Providers. FERC also adopted standards for gas quality reporting and pipeline credit worthiness criteria (RM96-1-026).

ELECTRIC

Missouri Electric Rates

Electric rates for Missouri's residential, commercial and industrial customers continue to be among the lowest in the nation.

Through the efforts of the Missouri Public Service Commission, Missouri's electric utilities and various parties that have participated in proceedings before the Commission, all classes of Missouri customers have benefited from low electric rates while receiving safe and reliable service.

The United States Energy Information Administration, a non-partisan office in the federal Department of Energy, annually ranks states according to their average rates in cents per kilowatt-hour.

In 2004, Missouri electric rates for residential, commercial and industrial customers were better than the national average (please see tables on this page).

PSC Staff Issues Report On Storm Restoration Efforts

On August 31, 2004, the PSC Staff issued its report on AmerenUE's storm restoration efforts due to a series of severe thunderstorms that hit on July 5, 2004. Staff concluded that AmerenUE had an emergency plan in place and executed that plan in response to these severe storms in a timely manner.

The PSC Staff report made a number of recommendations including increased tree-trimming efforts, which were behind schedule. Other recommendations included evaluating call back systems; providing clearer language in notices regarding power restoration times; communication with those customers who are on AmerenUE's medical equipment registry; and reviewing AmerenUE's mutual assistance agreements with other utilities regarding crew availability.

The PSC Staff report strongly recommended AmerenUE immediately implement programs to begin addressing the existing backlog in the tree-trimming cycles in its distribution systems in rural and suburban areas.

After reviewing the Staff report, AmerenUE agreed to comply with the report's recommendations.

RESIDENTIAL

State Name	Avg. Revenue (cents/kWh)	State Rank
Hawaii	18.06	1
New York	14.58	2
Vermont	13.07	3
California	11.78	9
Iowa	9.06	16
U.S. Average	8.94	
Illinois	8.51	21
Mississippi	8.17	26
Kansas	7.82	35
Oklahoma	7.67	36
Arkansas	7.44	39
Missouri	7.06	44
Kentucky	6.08	50
Idaho	6.08	51

COMMERCIAL

State Name	Avg. Revenue (cents/kWh)	State Rank
Hawaii	16.46	1
New York	12.10	2
California	11.90	3
U.S. Average	8.17	
Illinois	7.51	23
Wisconsin	7.22	26
Iowa	6.80	33
Oklahoma	6.66	35
Kansas	6.63	37
Missouri	5.86	46
Nebraska	5.86	47
Arkansas	5.84	48
Kentucky	5.60	49
West Virginia	5.46	50
Idaho	5.34	51

INDUSTRIAL

State Name	Avg. Revenue (cents/kWh)	State Rank
Hawaii	13.36	1
New Hampshire	10.04	2
New Jersey	8.67	3
California	8.53	5
U.S. Average	5.11	
Illinois	4.73	26
Oklahoma	4.72	27
Kansas	4.59	30
Iowa	4.39	34
Missouri	4.39	35
Nebraska	4.25	38
Arkansas	4.19	41
Maine	3.56	50
Kentucky	3.30	51

Source: US Energy Information Administration - 2004 data
Table 5.6.B, *Electric Power Monthly*, March 2005

Aquila Rate Case

Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks – L&P filed on May 24, 2005, for a rate increase of approximately \$69.2 million a year for its Aquila Networks – MPS customers and \$9.6 million for its Aquila Networks – L&P customers. Aquila also requested a rate increase of \$5.0 million a year for its steam customers. The Company stated that the increase is primarily driven by increased fuel costs and new investments Aquila has made to serve the demands of its customers. Hearings have been set for January 2006.

Empire District Electric Company Rate Case

On April 30, 2004, The Empire District Electric Company filed an electric rate case seeking to increase annual electric revenues by approximately \$38.3 million. In March 2005, the Commission authorized an increase to permanent rates of approximately \$25.7 million a year. The decision also included an interim energy charge of approximately \$8.2 million a year that generally reflects Empire's fuel and purchased power costs. This interim energy charge is subject to refund with interest based upon Empire's prudently incurred fuel and purchased power costs. The decision also included one-time funding to conduct tall tower wind assessments; annual funding for a low-income weatherization program; and residential and commercial energy efficiency programs.

Noranda Aluminum, Inc. Becomes Customer of AmerenUE

In March 2005, the Commission approved an agreement that authorized AmerenUE to provide electrical service to Noranda Aluminum, Inc. in New Madrid County. AmerenUE began serving Noranda on June 1, 2005. Noranda contracted with AmerenUE to meet its power and energy needs for a minimum of 15 years. Noranda is Missouri's largest industrial electric energy user and is a major employer in southeast Missouri. It had previously sought, and gained, approval from the Missouri Legislature to purchase its electric service on the open market.

KCPL Regulatory Plan Working Group

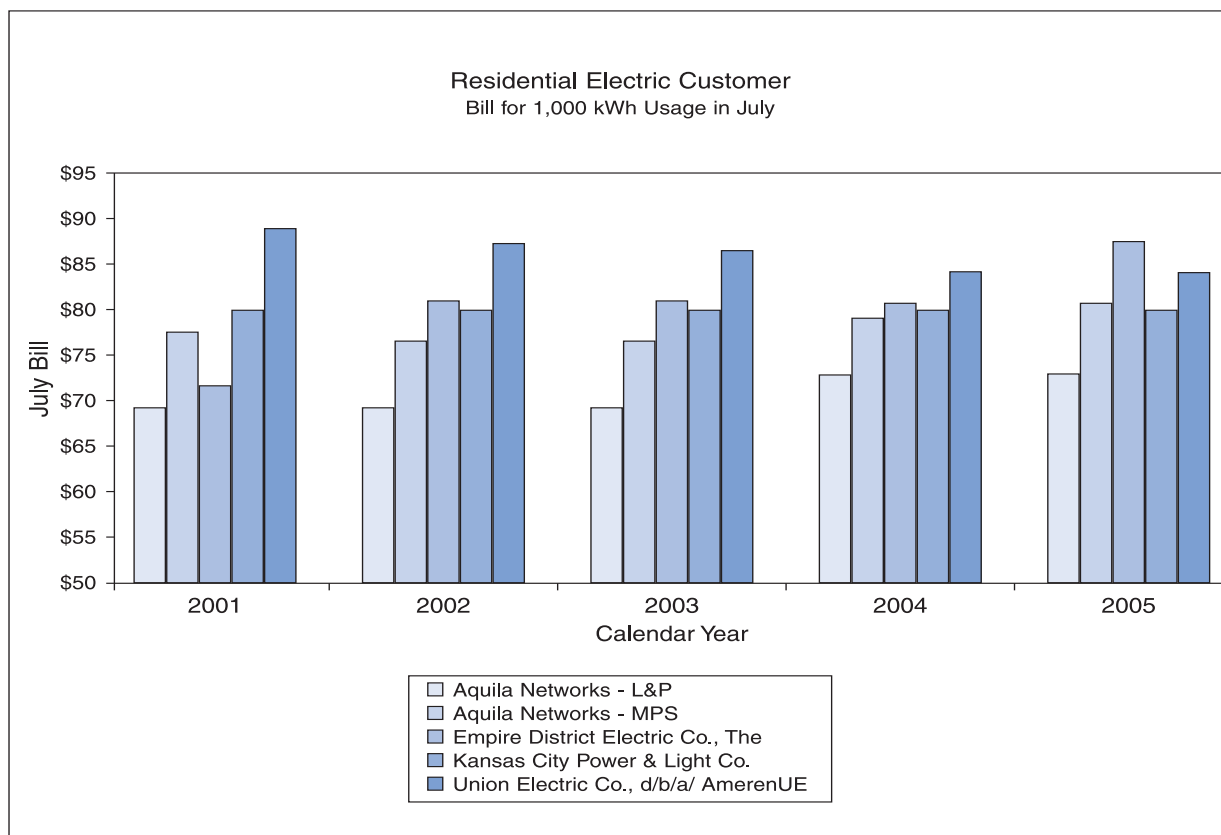
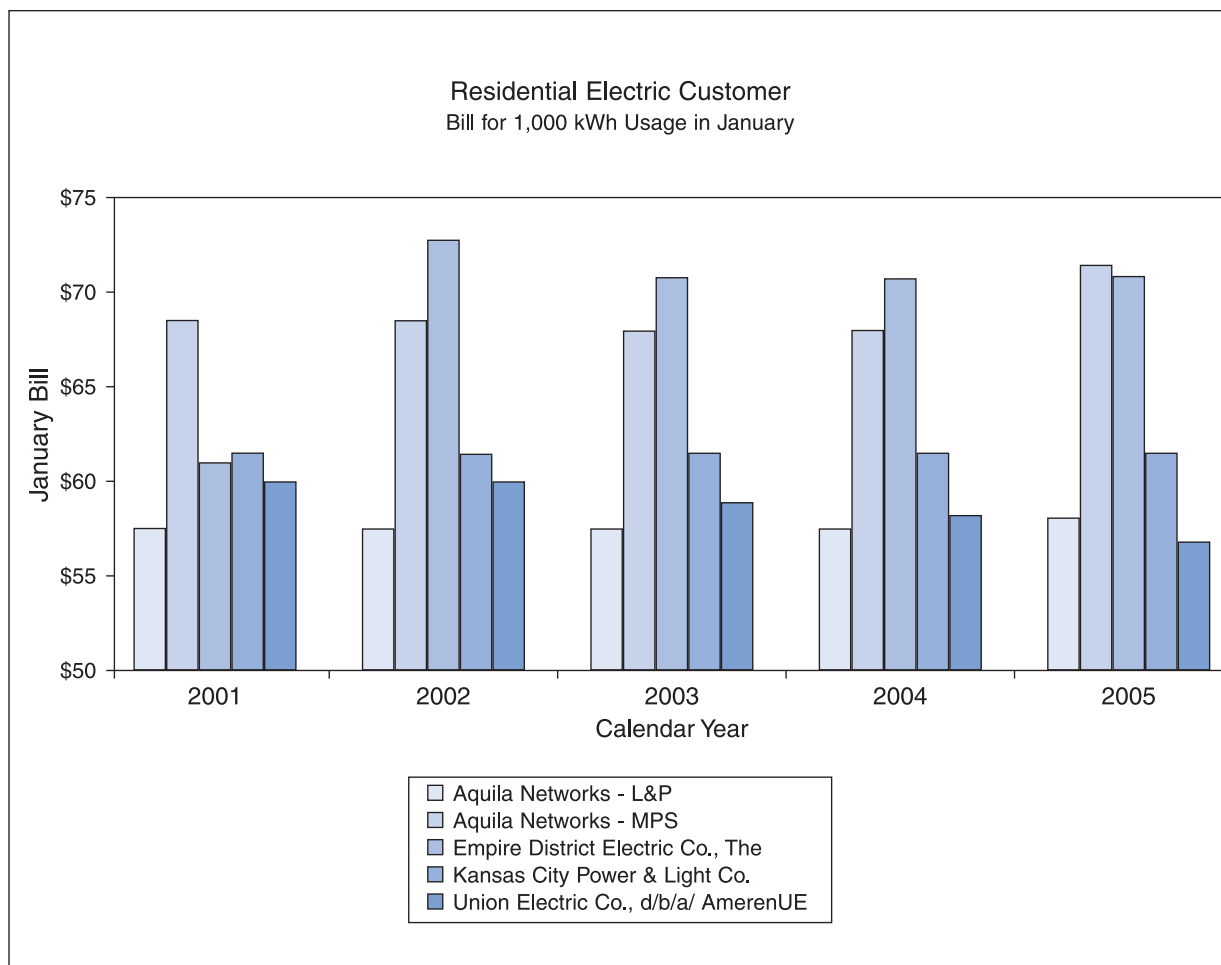
Throughout the 2005 fiscal year, Kansas City Power & Light Company (KCPL), PSC Staff, and

the Office of the Public Counsel held workshop meetings with other interested parties including the Department of Natural Resources, Concerned Citizens of Platte County, City of Kansas City, Sierra Club and industrial consumer groups to discuss the future resource needs of KCPL. Some parties believed future needs include a coal-fired base load plant on the west side of Missouri. This was an effort, not only to educate the various groups on KCPL's resource needs and the resource planning process, but to also get input from different groups regarding resource alternatives including energy efficiency and low-income affordability programs. This working group case was closed after several months of meeting to file a regulatory plan.

Experimental Regulatory Plans

Throughout most of the year, KCPL conducted public workshops regarding its decision to proceed with the construction of a second coal-fired generating unit at the Iatan I site. These workshops dealt with every phase of KCPL's planning process, including forecasts of its demand for electricity, alternative unit technologies, environmental concerns and demand-side programs to reduce or delay the need for additional generating capacity. On March 28, 2005, KCPL filed a Stipulation and Agreement that requested Commission approval of an Experimental Regulatory Plan. On June 23-24, 27, and July 12, the Commission held evidentiary hearings. On July 28, 2005, the Commission approved KCPL's Experimental Regulatory Plan, concluding that the Stipulation's Experimental Regulatory Plan is a comprehensive framework that appropriately addresses the need for cost-based but diverse resources that combine the best elements of proven and latest technology coal-fired generation, environmental controls, and wind energy, as well as affordability, demand response and efficiency programs, and offers a reasonable proposal for safe and adequate service well into the future.

KCPL's partners in the current Iatan Generating Station, Aquila, Inc. and The Empire District Electric Company, each subsequently filed for and obtained Commission approval of their own Experimental Regulatory Plans related to their participation in the construction of Iatan II.



Aquila Requests Certificate of Convenience and Necessity

On January 28, 2005 Aquila, Inc. filed an application with the Commission seeking clarification of its existing certificates of convenience and necessity to confirm that the company had authorization to build a power plant at its South Harper Facility and an electric substation in Cass County, near Peculiar, Missouri. The Commission issued an order in April confirming that Aquila already had the authority through its existing certificates to build and operate the planned combustion turbines and substation.

Lawsuits challenging Aquila's right to construct the plant were filed and heard last January in circuit court, and an injunction was issued prohibiting construction unless certain conditions were met. Aquila posted an appeal bond allowing construction to continue while it appealed the order to the Western District Court of Appeals. That appeal has been argued and briefed by the parties, and is awaiting decision by the appeals court.

Low-Income Customers Benefit from Collaboratives

The PSC Staff, Department of Natural Resources and other parties have formed collaboratives with AmerenUE, Kansas City Power & Light, The Empire District Electric Company, Aquila and Laclede to develop, initiate, monitor and evaluate various low-income programs. Through these programs, community action agencies are better able to assist customers with their bills and are able to weatherize a significantly greater number of homes than would be possible without the programs.

Senate Bill 179

Senate Bill 179 (RSMo 386.266) was signed into law by Governor Matt Blunt on July 14, 2005, and takes effect on January 1, 2006. This statute provides the Public Service Commission with the authority to implement rules for periodic rate adjustments, between rate cases, in the following areas:

Electrical Corporations

- Fuel & Purchased Power Cost Recovery
- Environmental Compliance Cost Recovery

Natural Gas Corporations

- Environmental Compliance Cost Recovery
- Usage Variations for Weather/Conservation

Water Corporations

- Environmental Compliance Cost Recovery

The Commission Staff has scheduled a series of collaborative meetings to develop the rules that will implement this legislation. These meetings will be structured so that all interested parties will have the opportunity to have input into this rulemaking. It is the Missouri Public Service Commission Staff's intent that these collaborative meetings will provide for development of rules that are acceptable by all interested parties to the greatest extent possible before formal rulemaking proceedings, as provided for in Chapter 536 RSMo, begin.

Mergers

In December, the Commission approved an agreement authorizing Thermal North America, Inc. to acquire the stock of Trigen-Kansas City Energy Corp. Trigen-Kansas City provides steam heating service to the public in downtown Kansas City, Missouri.

AmerenUE Request To Transfer Metro East Assets To AmerenCIPS Approved

The Commission approved the transfer of the Metro East, Illinois electric and gas operations of AmerenUE to an affiliated Ameren company, Central Illinois Public Service Company (AmerenCIPS) in February. The Commission adopted several conditions for the transfer designed to protect AmerenUE's Missouri ratepayers against any possible liabilities resulting from the transfer.

The transaction would transfer to AmerenCIPS, natural gas operations in Illinois as well as the electric transmission and distribution operations (including all electric customers) of AmerenUE in Illinois. The AmerenUE electric generating facilities located in Illinois would be retained by AmerenUE to provide electric service to Missouri.

Once the transfer is completed, the transaction will result in AmerenUE operating solely in Missouri and its retail customers subject only to Missouri PSC jurisdiction.

Federal Activity in Electricity

AmerenUE is participating in the Midwest ISO (MISO) Regional Transmission Organization (RTO), which started up its day-ahead and real-time energy markets in April 2005. Aquila Networks, Inc. is evaluating possible participation in the MISO. The Southwest Power Pool (SPP) has conducted a cost-benefit study to evaluate its role as an RTO and as a facilitator for an energy imbalance market that is similar in concept to the energy markets being operated by the MISO. If these applications are approved, issues regarding how the two different RTO facilitated markets will interact will be very important to Missouri.

This past year, the SPP RTO applied for and received conditional approval from the Federal Energy Regulatory Commission (FERC) regarding a proposal for allocating the costs of new transmission facilities, including any upgrades required for existing facilities. The cost allocation proposal was a collaborative effort of five of the state public service/utility commissions (Missouri, Kansas, Arkansas, Oklahoma and Texas) and was coordinated under the direction of the SPP Regional State Committee (RSC). The SPP RSC submitted comments to the FERC indicating its belief that with the SPP approach to coordinated transmission planning and the cost allocation in place, the utilities in the SPP region should expect to have a reliable power system in which they can deliver power to their customers absent the risks of volatile prices in the wholesale electricity markets.

In a similar concept, the MISO is currently in the process of evaluating cost allocation proposals for new transmission facilities and upgrades to existing facilities through its Regional Expansion Cost Benefit

Task Force. The Organization of MISO States (OMS) has staffed a working group to participate in these deliberations. It is currently expected that a recommendation will be forthcoming by late summer or early fall of 2005. Both the MISO and SPP RTO are in the process of evaluating proposals for the allocation and recovery of the costs of transmission network upgrades associated with the interconnection of new generation. FERC recently issued an update (Order 2003 C) to its original order requiring that generators front the money for such upgrades but be refunded that money when they begin supplying power to the transmission system.

Missouri Commissioner Steve Gaw served as Treasurer of the OMS and is on the Board of Directors of both the SPP RSC and the OMS. The Commission's Chief Regulatory Economist, Mike Proctor, continued in his role as chairman of the OMS working group with oversight for the allocation of Financial Transmission Rights, and is co-chair of the OMS working group with oversight for the allocation of costs for new transmission facilities and network upgrades. In addition, Dr. Proctor chairs the SPP RSC's Cost Allocation Working Group, which developed the proposal for funding and allocation of costs for transmission upgrades that the SPP RSC proposed and the FERC approved. Currently this working group is: a) evaluating how to improve incentives for participants to fund economic upgrades to the transmission system, where such upgrades will help reduce congestion and allow more efficient generation to supply power through the SPP RTO facilitated energy market, and b) participating in SPP discussions regarding the allocation and recovery of generation interconnection costs.

TELECOMMUNICATIONS

Telecommunications

Quality Of Service

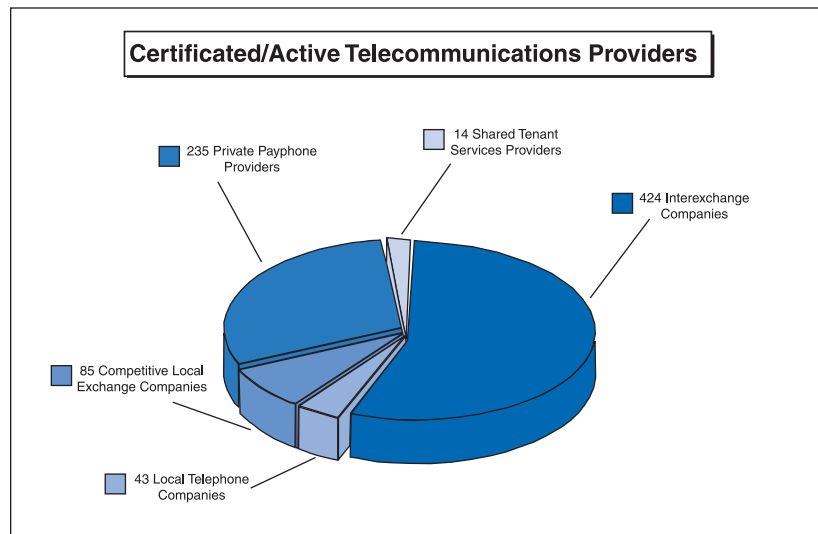
During the 2005 fiscal year, Missouri basic local telecommunications companies continued to provide a high quality service to their consumers. Call monitoring indicates that Missouri consumers attempted nearly 4 billion calls during this time period. Approximately 99.9% of these calls were connected without a problem. Inclement weather continues to impact repair service performance results. Quality of service components affected most: Customer Report Rate; Out-of-Service Cleared within 24 hours; and Repair Commitments.

Listed below are the statewide average aggregated results of all telecommunications carriers providing basic local telecommunications service for the service objectives monitored in Missouri:

- Requests for basic local telecommunications service increased 7.4% to 557,523. The Missouri telecommunications industry installed 94% of basic local service requests within five days. The industry also met 96.62% of commitments to install service on the day specified to the customer.
- Answered calls to the operator approximately 9.6 seconds after the customer dials "0".
- Answered calls to the company's repair center or business office in an average of 11.2 seconds.
- Received on average 2.04 trouble reports per 100 customers.
- Restored 76% of out-of-service conditions within 24 hours.
- Met 90% of commitments to repair service by the day specified to the customer.

An Analysis Of Local Competition In Missouri

On July 30, 2004, SBC Missouri filed a request for an investigation case to determine the status of



competition in SBC exchanges. Hearings in the case were conducted by the Commission in early 2005. The Commission ultimately decided to postpone a decision in this case given passage of SB 237 which significantly modifies the standards by which telecommunications company exchanges are considered competitive.

Competitive Local Exchange Company (CLEC) Lines in Missouri

According to the Federal Communications Commission's (FCC's) "Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services", as of June 30, 2004, CLECs in Missouri had 430,538 access lines or 13%. The report indicated that 42% of Missouri zip codes have no reporting CLECs.

Missouri annual reports show:

CLEC Provisioning	Residential	Business
Resold	41,597	27,148
UNE-Platform	71,722	78,822
UNE-Loop	4,665	68,300
Facilities-based	39,765	66,995

Expanded Calling

On March 18, 2004, the Commission established a task force to investigate whether, and if so, what type of changes should be made to the Metropolitan Calling Area Plans and to expanded calling scopes in general.

After several meetings, the task force submitted its final report on September 29, 2004. That report recommends the Commission establish a process to entertain requests for establishing new expanded calling plans or changes to existing expanded calling plans. The task force also recommended the Commission investigate whether additional competitive incentives can be achieved with the establishment of a state high-cost support fund to ensure that basic local service rates remain affordable for all Missourians.

The Commission approved rules which establish a process for Commission consideration of expanded calling requests. Those rules took effect in the fall of 2005.

Price Cap

During 2004, the Public Service Commission invalidated price cap elections by two small incumbent local exchange companies, Alltel Missouri and BPS Telephone Company. Both had relied on the presence of prepaid resale CLECs as their allowance to elect price cap regulation under Missouri statutes.

Rulemakings:

The Commission was involved in several rulemaking proceedings during the fiscal year. Some of those decisions appear below:

- **Telecommunications procedure for ceasing operations.** This rule outlines the information that must be provided to the Commission when a company ceases operation in Missouri or discontinues providing basic local or interexchange service to any geographic service area within the state. The company must provide notice to the Commission at least 30 days prior to cessation or discontinuance. This rule took effect on November 30, 2004.

- **Procedure for telecommunications companies that file bankruptcy.** Any telecommunications company certificated in Missouri that files bankruptcy or has an affiliate that files bankruptcy must notify the Commission within 10 working days of the filing. If the certificated companies have non-certificated affiliates that file bankruptcy, only the telecommunications company first certificated in Missouri will be required to provide notice. This rule took effect on November 30, 2004.
- **2-1-1.** The FCC designated 2-1-1 as a national number for consumers to obtain contact information for housing assistance, maintaining utilities, providing food, finding counseling and offering hospice services. The permanent rule took effect on September 30, 2004. The rule requires an entity interested in being a 2-1-1 provider in an area to file an application with the PSC. Among the many requirements in the 2-1-1 application, entities must agree to follow Missouri law and Commission rules; must be certified or be seeking certification with the nationally recognized association for community information and referral programs, Alliance of Information & Referral Systems (AIRS); must pay all charges associated with providing the service; and may not charge end-users for the service. The Heart of Missouri United Way was approved as the first 2-1-1 provider in the state.
- **Truth-in-billing.** This rulemaking was established to bring certain Missouri rules into compliance with federal truth-in-billing requirements. The rule states that non-payment of the Missouri Universal Service Fund surcharge is considered non-payment of basic local service for the purpose of discontinuing service. A requirement was added that a telecommunications company, when discussing service plans and packages with customers and/or potential customers, shall clearly identify the exact name and rates associated with that plan or package as advertised and tariffed. The rule also added customer notice requirements for rate increases, but clarified that customers need

not be notified of a change in service provider as a result of a merger. The rule also added requirements that bills clearly identify the company name associated with each toll free number that appears on the bill for billing inquiries or disputes and added requirements that certain services be blocked or restricted upon customer request. This rule took effect on October 1, 2004.

➤ **Customer Proprietary**

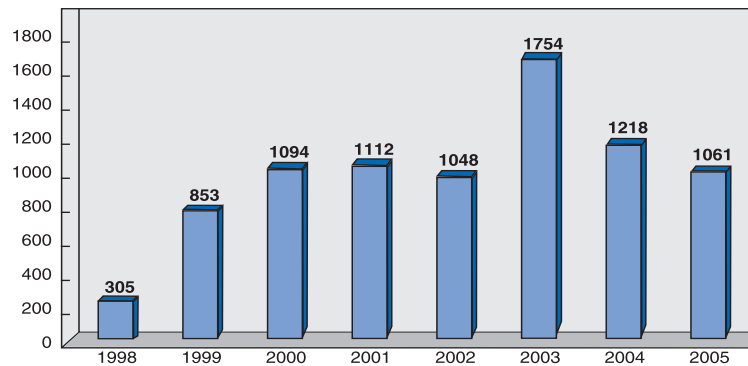
Network Information. This new rule relates to the protection and release of customer proprietary network information (CPNI) by telecommunications companies. While the PSC is restricted in its ability to protect consumer privacy by federal law, the rule should help eliminate a loophole in federal rules and provide better privacy protection.

- **Missouri Universal Service Fund.** The FCC modified the eligibility requirements for the federal Lifeline and Link-up programs to broaden the reach of universal service. It also created verification and reporting requirements for local exchange carriers to minimize abuse of the assistance programs. In its order establishing the new guidelines, the FCC directed states to develop rules for state low-income programs that are consistent with federal guidelines. Through an emergency rulemaking, the Commission added the National School Lunch Program's free lunch program and Temporary Assistance for Needy Families as additional means for qualifying for state low-income support.

Federal Telecommunications Activity

The Missouri Public Service Commission continues to actively participate on a number of telecommunications issues before the Federal Communications Commission (FCC). During the past fiscal year, the Commission filed comments with the FCC on behalf of Missouri ratepayers on a variety of issues including:

Annual Number of Telecommunications Tariffs and Revisions Filed



- Limiting line item surcharges and fees
- Designation of carriers eligible to receive federal USF support
- Compensation for IP Relay Services
- Other jurisdictional and universal service issues

Telephone Numbers

Number Conservation Efforts/Exhaust Dates

The Telecommunications Department Staff continues to investigate code usage, reclaim unused telephone numbers, and implement number conservation. In March 2005, the Commission filed a petition with the FCC seeking additional authority to implement number conservation measures in the 417, 573, 636 and 660 area codes. Through the Commission's existing conservation efforts, the lives of the area codes have been extended as follows:

Area Code	Estimated Exhaust Date
314	2Q 2013
417	2Q 2009
573	1Q 2010
636	2Q 2023
660	1Q 2015
816	1Q 2014

Missouri Universal Service Fund

Effective March 31, 2002, the Missouri Public Service Commission approved the establishment of a Missouri Universal Service Fund (MoUSF) to help low income and disabled Missourians receive discounts for basic local telephone service. The establishment of the MoUSF is pursuant to state law passed by the Missouri General Assembly in 1996 (Senate Bill 507).

The plan would provide support for a substantial number of low income and disabled Missouri residents. The Missouri Universal Service Fund is administered by the Missouri Universal Service Board comprised of members of the Commission and the Office of Public Counsel.

In 2004, the Missouri Universal Service Board hired QSI Consulting as the Fund Administrator to work with the Missouri Universal Service Board in administering the fund. Telecommunications companies began assessing a Missouri USF surcharge on customer bills in May 2005.

The purpose of the MoUSF program is to implement assistance to low-income and disabled customers for telecommunications services under the Lifeline and/or Link-up programs funded from the Federal Universal Service Fund.

Owned and Operated Cable and Telecommunications Facilities and Services

Effective August 28, 2002, the Missouri General Assembly passed, and the Governor signed, CCS/SCS/HCS/HB 1402 to provide, in part, certain guidelines and standards by which municipalities and political subdivisions may own and operate cable television or telecommunications facilities and services. Pursuant to that bill, the legislature directed the Missouri Public Service Commission (PSC) to perform an annual economic impact study of the effects of municipally owned cable television systems and telecommunications networks. The PSC is to submit a report of the results of that study to the General Assembly by December 31 of each year until December 31, 2007.

Nine cities in Missouri responded through a questionnaire that they were offering cable television and/or Internet services to the public through systems owned or operated by the municipality. Of the cities

that responded: three offer cable television service reporting 8,241 subscribers; seven cities offer residential and/or business Internet services, reporting approximately 2,050 customers; and one city offers both Internet and cable television services.

The lack of existing service or poor quality service was most often cited as the reason for the city offering the services. Reported 2004 revenues for cable television services were \$2,954,685. Reported 2004 revenues for Internet services were \$3,089,264. No cities report offering local telecommunications service.

Cass County Telephone Company and New Florence Telephone Company Investigation

In 2003, the Department of Justice charged various individuals associated with owners of Cass County Telephone Company and New Florence Telephone Company with telephone and internet-based criminal fraud.

On July 27, 2004, the FBI arrested Kenneth M. Matzdorff, an owner of Cass County Telephone Company and New Florence Telephone Company and the overall manager of Cass County Telephone Company. The affidavit supporting the arrest warrant alleged that Mr. Matzdorff “played an integral role, as an associate of the Gambino crime family” in a telephone cramming scheme, as well as an effort to launder the proceeds of both that scheme as well as a separate internet pornography scheme. It also alleged that Cass County Telephone Company had overpaid a vendor with the effect of defrauding the federal Universal Service Fund and the National Exchange Carriers Association.

On July 29, 2004, the Missouri Public Service Commission directed its Staff to investigate and inform the Commission of the issues surrounding the allegations in the arrest warrant. Specifically, the Commission wanted Staff to determine whether Missouri customers or their rates would be affected by the allegations.

Primarily due to concerns raised by the allegations in the arrest warrant, the Missouri Public Service Commission did not certify either Cass County Telephone Company or New Florence Telephone Company for federal Universal Service Fund support for 2005. Based on the Missouri Commission’s decision not to certify either company, the Federal

Communications Commission terminated federal support payments to both companies starting October 2004, pending further investigation.

In January 2005, Kenneth M. Matzdorff pleaded guilty in New York to charges related to money laundering, committing mail and wire fraud and in Missouri to charges related to defrauding the federal Universal Service Fund and the National Exchange Carriers Association. On February 25, 2005, the Missouri Public Service Commission's Staff's filed in Case No. TO-2005-0237 its initial report titled, "Staff's Initial Report Regarding the Impact of the Allegations of Criminal Activities by Kenneth Matzdorff on Missouri Utility Consumers." A redacted version of that report is publicly available through EFIS.

On April 8, 2005 the Commission's Staff filed a complaint with the Commission seeking penalties against Cass County Telephone Company and Local Exchange Company LLC. Local Exchange Company LLC has majority ownership of Cass County Telephone Company. The Commission opened Case No. TC-2005-0357 to address the complaint. At its request, the Commission dismissed Local Exchange Company LLC from the complaint and the matter remained pending at year end.

Relay Missouri

The Missouri Public Service Commission oversees the administration of Relay Missouri service in the state. Relay Missouri was established in 1991 and provides deaf, hard-of-hearing and speech-impaired citizens access to the telephone network. A communications assistant translates a call so that a deaf, hard-of-hearing, or speech-impaired party can communicate with any other party.

Relay Missouri is funded through a monthly, per-line surcharge. The current surcharge is 13 cents a month.

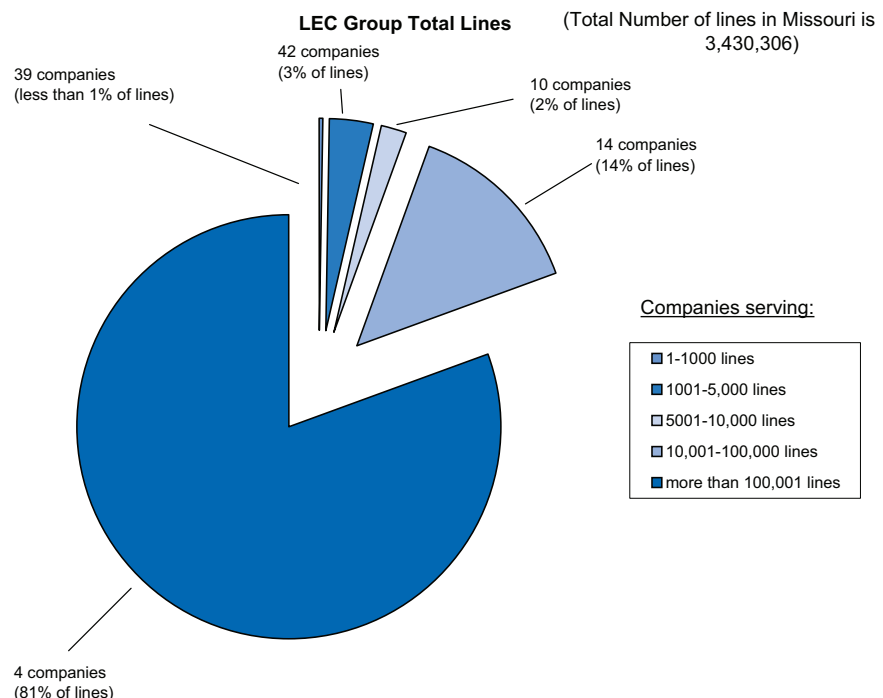
Under state law, the Relay Missouri surcharge is reviewed at least every two years, but not more than on an annual basis. This surcharge also funds the Adaptive Telephone Equipment Program administered by the Office of Administration.

Consumer Outreach

The PSC continues to update the "Show-Me-Rates" price comparison center website <http://www.psc.mo.gov/teleco-showmerates.asp>. Show-Me-Rates is an on-going project that includes rates for local toll and in-state long distance and provides contact information for various competitive local telecommunications companies throughout the state.

The PSC website includes telecommunications-specific information to keep the public informed. Consumers can choose Consumer Information-Telecommunications or click on the telephone icon and choose "Consumer Information" to obtain helpful information on topics such as: low-income telecommunications support programs; comparing telephone rates; understanding your telephone bill; Voice over Internet Protocol; and Metropolitan Calling Area and expanded calling scopes.

Local Exchange Companies (LEC)*



*As of December 31, 2004

Water and Sewer Department

Department Personnel

The Water & Sewer Department (W/S Dept) consists of seven professional/technical positions and is split into two sections, Rates and Engineering. Although the W/S Dept is split into the Rates and Engineering Sections, staff members work closely together as a team and it is not unusual for them to share responsibilities. As with most departments within the Commission's organizational structure, the W/S Dept's management personnel carry out not only their administrative duties, but are also involved in a great deal of the technical and analytical case work that falls within the scope of the W/S Dept's responsibilities. As a group, the W/S Dept's staff members have nearly 160 years of regulatory and/or water and sewer utility work experience, with much of that experience having been gained by their work in the W/S Dept.

Department Responsibilities, Objectives and Work Functions

By law, the Commission is responsible for regulating the rates, fees and operating practices of the privately owned water and sewer corporations that operate in Missouri. The W/S Dept helps the Commission fulfill its responsibilities by providing technical expertise on matters relating to water and sewer system operations and the tariffed rates, charges and services of regulated water and sewer companies. The general objectives of the W/S Dept are twofold. The first objective is to ensure that the regulated water and sewer companies provide safe and adequate service to their customers at rates that are deemed just and reasonable. The second objective is to ensure that the companies provide their service according to applicable Commission rules and procedures and the provisions of their Commission-approved tariffs. Specific aspects of the W/S Dept's work include:

- Evaluating company tariff filings to determine whether proposed new/revised tariff provisions comply with applicable Commission rules, policies and state laws;
- Reviewing existing company tariffs to determine whether the provisions of the tariffs continue to comply

with applicable Commission rules, policies and state laws, as they change over time;

- Participating in the review of all requests for rate increases from the perspective of evaluating the appropriateness and the design of proposed rates and charges, the adequacy of system operations and the appropriateness of and/or need for system plant additions that have been or will be placed in service;
- Participating in the review of all applications for new/expanded certificated service areas from the perspective of evaluating the need for the service proposed, the reasonableness and design of the proposed rates and charges, the proposed system design, the plans for system operations and the overall project feasibility;
- Participating in the review of financing applications to determine the appropriateness of and/or need for projects being financed, as necessary;
- Conducting regularly scheduled field inspections to determine whether company facilities and overall system operations comply with applicable Commission rules, company tariff provisions and proper operational procedures;
- Interacting with company owners/operators regarding operational and technical matters;
- Investigating customer complaints and responding to customer inquiries concerning matters related to rates, charges, system operations and quality of service;
- Providing training sessions and/or materials to industry personnel and Commission staff personnel regarding the small company rate increase procedure, rate design and other ratemaking matters; and
- Providing expert testimony before the Commission on water and sewer cases pending before it, and providing technical advice to the Commission in its rulemaking actions on water and sewer matters.

Interaction with the Department of Natural Resources

Of the utilities regulated by the Commission, water and sewer utilities are unique in that another state agency, the Department of Natural Resources (DNR), also has significant jurisdiction over the utilities.

Specifically, the DNR's jurisdiction covers the area of the water and sewer utilities' compliance with applicable federal and state environmental and water quality laws and regulations. While the Commission's rules provide for general oversight regarding water quality and sewage treatment standards, the Commission generally relies upon the DNR to determine whether the companies are complying with the applicable federal and state environmental and water quality laws and regulations.

Because of the overlapping jurisdiction between the Commission and the DNR, the staffs of the agencies attempt to work cooperatively in achieving the agencies' respective missions. For some time, the two agencies have shared information regarding companies for which the agencies share regulatory responsibilities, under the provisions of a Memorandum of Understanding (MOU) between the agencies. In addition, the agencies' MOU now includes provisions regarding the agencies' cooperation and coordination on overlapping matters such as the DNR's issuance of construction and operating permits and the Commission's utility service area certification process. As a result, the agencies' respective review and approval processes for new water system construction, permitting and certification are more coordinated than in the past. It is anticipated that such efforts will eventually extend to the permitting and certification of all water and wastewater systems for which the agencies share jurisdiction.

Small Company Rate Case Working Group

As part of the Commission's on-going project regarding "case efficiency," W/S Dept Staff members continue to participate in a Small Company Rate Case Working Group that was organized to review and suggest improvements to the small company rate increase procedure. In addition to W/S Dept Staff, members of this Working Group included representatives of small water and sewer companies (companies serving 8,000 or fewer customers), attorneys that regularly participate in cases before the Commission, representatives of the Office of the Public Counsel, Staff members from the Commission's Auditing, Management Services and Telecommunications Departments, and an attorney from the Commission's General Counsel's Office.

The Working Group's efforts resulted in the following agreed-upon projects related to the small company rate increase procedure: (1) developing a "How To" booklet for the procedure; (2) modifying the Staff's "activity timeline" for the procedure; (3) modifying the Staff's "overview" of the procedure; and (4) rewriting the Commission's rules regarding the procedure. In addition to these projects, which have now essentially been completed, the Working Group also agreed to continue to meet and discuss several other topics related to the small company rate increase procedure.

Senate Bill 462

As a result of the Legislature's passage and the Governor's signing of SB462, several changes were made to the provisions of Section 393.145, RSMo, which sets forth the Commission's authority to seek the appointment of a receiver for certain small water and sewer utilities. The most notable changes to Section 393.145 are set out below.

- The provisions of this Section now apply to water and sewer utilities providing service to 8,000 or fewer customers rather than only those providing service to 1,000 or fewer customers.

- The venue for the Commission's filing of circuit court petitions seeking the appointment of a receiver may now be either Cole County or the county in which the subject utility has its principal place of business.

- If the Commission determines that it should authorize its General Counsel to petition a circuit court for the appointment of a receiver, it may now also appoint an interim receiver to serve until such time that the circuit court petition is ruled upon.

- Receivers are granted immunity from personal liability for civil damages arising solely from actions performed as a receiver for a utility, except for situations involving intentional conduct, wanton or willful conduct or gross negligence.

Also as a part of SB 462, a new provision was enacted which allows the Commission to order a "capable public utility" to acquire the assets of a small sewer or small water corporation when a complaint is filed with the Commission seeking relief for inadequate service by a small water or sewer company. The "capable public utility" must be a public utility that provides "safe and adequate" water or sewer service

PUBLIC SERVICE COMMISSION

to more than 8,000 customers. The small sewer or water corporation must be a public utility that provides service to 8,000 or fewer customers.

Further, when acting on a complaint brought under this new provision, the Commission may appoint an interim receiver to operate a small water or sewer company when it finds that there is an “imminent threat of serious harm to life or property.” It may make this appointment prior to the opportunity for a hearing, with the condition that the opportunity for hearing will be provided “as soon as practicable.”

The Commission’s Regulated Water & Sewer Companies

The Commission currently has jurisdiction over 55 active sewer companies and 68 active water companies, which operate in various locations throughout the state; many of which have multiple service areas and systems. The tables on the following page show the



PSC employee Jerry Scheible inspects the quality of effluent leaving an extended aeration wastewater treatment plant.

distribution of the number of companies based upon customers served, using the most recently available numbers. As is shown in these tables, the vast majority of the Commission’s jurisdictional sewer and water utilities are very small, which presents unique situations with which the Commission and the W/S Dept Staff must deal.

Regulated Sewer Companies

Customer Base	Number of Companies	Customers Served	% of Total Customers Served
2,001 & Up	0	0	N/A
751 - 2,000	6	7,355	50.36
501 - 750	2	1,250	8.56
251 - 500	6	1,995	13.66
151 - 250	12	2,260	15.47
101 - 150	4	535	3.66
51 - 100	14	1,000	6.85
50 or less	11	210	1.44
TOTALS	55	14,605	100.0

NOTE: Active companies as of 06/30/05; Customer numbers as of 10/05/05 (rounded to the nearest "five").

Regulated Water Companies

Customer Base	Number of Companies	Customers Served	% of Total Customers Served
8,001 & Above	1	454,065	93.12
5,001 - 8,000	1	6,615	1.36
3,501 - 5,000	1	4,280	0.88
2,001 - 3,500	2	5,340	1.10
751 - 2,000	6	6,835	1.40
501 - 750	5	3,055	0.63
251 - 500	10	3,505	0.72
151 - 250	9	1,715	0.35
101 - 150	9	1,135	0.23
51 - 100	10	740	0.15
50 or less	14	330	0.07
TOTALS	68	487,615	100.0

NOTE: Active companies as of 06/30/05; Customer numbers as of 10/05/05 (rounded to the nearest "five").

Manufactured Housing and Modular Unit Program

The Manufactured Housing and Modular Units Program Department of the Public Service Commission is governed by Sections 700.010-700.692 of the Revised Statutes of Missouri.

The department is responsible for overseeing the annual registration of dealers and manufacturers of manufactured homes and modular units as well as the installers of new manufactured homes; prescribing and enforcing uniform construction, safety and installation standards by conducting code and installation inspections; and enforcing anchoring requirements.

The department receives approximately 200 consumer complaints or consumer inspection requests annually. Staff is successful in resolving approximately 97% of these complaints through its formal process of working with manufacturers, dealers, installers and homeowners.

The Manufactured Housing and Modular Units Program receives in excess of 240 phone calls a month from consumers, manufacturers, retail dealers, installers, finance companies and local building code officials. Currently the staff consists of four field inspectors, one field supervisor/inspector, a program manager and two office staff.

The PSC has a toll-free hotline for consumers who have questions and/or complaints regarding manufactured homes or modular units. The toll-free number is **1-800-819-3180**.

Oversight and Regulation

Structures not properly installed may result in very expensive repair costs and those repairs could take weeks to complete. Most of today's homes or units are multi-section structures and are installed on crawl space or basement foundations or on below frost grade footings. Many of these homes have hinged roofs and require very specialized and expensive equipment to install. Equipment includes such items as roof jacks, roller systems or cranes. Many multi-section units require several weeks to fully complete from site preparation to final close up and interior finish. Staff also regularly works with local communities around the state to ensure both manufactured homes and modular units are built to the applicable building and safety codes and are set up and installed according to applicable state standards.

STATISTICS FOR FISCAL YEAR 2005

Registered Manufacturers:	151
Registered Dealers:	286
Registered Installers:	134
Homes Sold (new & used):	6,094
Consumer Complaint Inspections:	278
Dealer Lots Inspected:	366
Modular Unit Seals Issued:	2,336
Modular Unit Plans Approved:	1,103

Source: PSC Manufactured
Housing Department database

Manufactured Homes & Modular Unit Sales

Residential and commercial modular unit sales have more than doubled in the past few years. Modular units include residential homes, commercial, industrial and educational units. Manufactured home sales have increased in recent months after several years of decline. Approximately 3,660 new manufactured homes and modular units were sold in the state during FY 2005.

An additional 2,436 used homes were sold. Modular and manufactured homes fill a major housing void in many rural areas where site built homes are difficult to construct in a timely manner. In addition, commercial modular units are becoming a very popular and affordable alternative to site built units. Modular unit classrooms are a major component of affordable classrooms in many school districts throughout the state. PSC field staff regularly works with school districts to inspect units to ensure they are set up and anchored properly.

New Legislation

The Commission worked with the industry regarding the implementation of SB 1096 passed during the 2004 legislative session. This bill includes federal mandates from the 2000 Federal Manufactured Housing Improvement Act. These mandates require the Missouri PSC to: license entities who install or set up new manufactured homes; require inspection of a percentage of all new homes installed; and establish a dispute resolution process under federal Housing and Urban Development (HUD) guidelines. The Commission plans to fully implement the legislation prior to the December 2005 deadline.

Training and certification of new manufactured home installers began in February 2005. Installers were required to be licensed by July 1, 2005. PSC staff established a committee of various representatives from the industry to draft rules to address specific concerns with the licensing and training of installers. It is estimated that 150 individuals will become licensed installers.

Legal Action

During the past year, the director of the Manufactured Housing and Modular Units Program filed several complaints against dealers and unlicensed entities for various alleged violations of state laws. Complaints were filed against certain dealers for selling homes without HUD labels; improper installation and anchoring; operating without the required license; and failing to make corrections in a timely manner. Staff continues to work to ensure homes and commercial units are built and installed according to applicable building codes and safety standards, thereby providing safe and affordable housing.

During the past year, Staff has been involved in complaint cases in which consumers received approximately \$80,000 in restitution. In addition, over \$6,000 in penalties and program cost reimbursements have been paid by entities involved in these complaint cases.

Fiscal Year 2006

The staff plans to work with the industry during the next year to make any necessary changes or enhancements to SB 1096 and to revise and upgrade modular unit building codes to ensure these units are accepted by local building and code administrators.